

**South Central Louisiana Human  
Services Authority  
Department of Health and Hospitals  
A Component Unit of the  
State of Louisiana**

**Annual Financial Report  
As of and for the  
Year Ended June 30, 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date NOV 23 2011

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**South Central Louisiana Human Services Authority  
Department of Health and Hospitals  
A Component Unit of the State of Louisiana  
Annual Financial Report  
For the Year Ended June 30, 2011**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
South Central Louisiana Human Services Authority  
Department of Health and Hospitals  
State of Louisiana

We have audited the accompanying financial statements of the governmental activities of the South Central Louisiana Human Services Authority, (the Authority), a component unit of the State of Louisiana, as of and for the year ended June 30, 2011. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not observe the taking of the physical inventories as of June 30, 2011 (stated at \$515,968) since that date was prior to the time we were initially engaged as auditors for the Authority. We were unable to satisfy ourselves about inventory quantities by means of other auditing procedures.

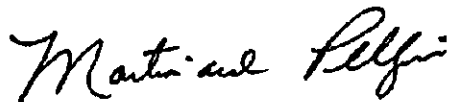
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to observe the physical inventories taken as of June 30, 2011, the financial statements referred to above present fairly, in all material respects, the respective financial position of the South Central Louisiana Human Services Authority, as of June 30, 2011, and the change in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011, on our consideration of the Authority's internal control over financial

To the Board of Directors  
South Central Louisiana Human Services Authority  
Department of Health and Hospitals  
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reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7, the budgetary comparison information on page 28, and the Schedule of Funding Progress on page 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



November 14, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**South Central Louisiana Human Services Authority  
Department of Health and Hospitals  
A Component Unit of the State of Louisiana  
Management's Discussion and Analysis  
June 30, 2011**

As management of the South Central Louisiana Human Services Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended June 30, 2011.

Operations of the Authority began on July 1, 2010. As such, there is no comparative analysis included in the Management's Discussion and Analysis. Comparative analysis will be included in future years as prior year information will then be available.

**Financial Highlights**

- South Central Louisiana Human Services Authority's liabilities exceeded its assets by \$1,763,439 (net assets) as of June 30, 2011.
- Expenses exceeded revenues by \$1,763,439 during the year.
- The South Central Louisiana Human Services Authority received and disbursed intergovernmental funding totaling \$14,091,706 during the year.

**Overview of the Financial Statements**

This discussion and analysis serves as an introduction to the Authority's financial statements. South Central Louisiana Human Services Authority's financial statements consist of following:

**Statement of Net Assets.** This statement combines and consolidates the governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless if they are currently available or not.

**Statement of Activities.** Consistent with the full accrual basis method of accounting, this statement accounts for the entity-wide current year revenues and expenses regardless of when cash is received or paid.

**Balance Sheet – Governmental Fund.** This statement presents the Authority's assets, liabilities, and fund balance for its general fund only.

**Statement of Revenues, Expenses, and Changes in Fund Balance – Governmental Fund Type – General Fund.** Consistent with the modified accrual basis method of accounting, this statement accounts for current year revenues when received except when they are measurable and available. Expenditures are accounted for in the period that goods and services are used in the government's activities. In addition, capital asset purchases are expensed and not recorded as an asset. The statement also exhibits the relationship of revenues and expenditures with the change in net assets.

**Notes to the Financial Statements.** The accompanying notes provide additional information essential to a full understanding of the data provided in the basic financial statements.

**South Central Louisiana Human Services Authority**  
**Department of Health and Hospitals**  
**A Component Unit of the State of Louisiana**  
**Management's Discussion and Analysis**  
**June 30, 2011**

**Basic Financial Analysis**

Net assets may serve over time as a useful indicator of an entity's financial position. In the case of the Authority, liabilities exceeded assets by \$1,763,439 at the close of June 30, 2011. The largest portion of the Authority's total assets is due from other governments (57.6%).

**The Authority's Condensed Statement of Net Assets as of June 30, 2011**

	<u>Government Activities</u>
<b>Assets</b>	
Current assets	\$ 4,679,507
Capital assets, net of accumulated depreciation	<u>109,630</u>
<b>Total Assets</b>	<u><u>\$ 4,789,137</u></u>
<b>Liabilities</b>	
Current liabilities	\$ 5,307,949
Long-term obligations	<u>1,244,627</u>
<b>Total Liabilities</b>	<u><u>\$ 6,552,576</u></u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 109,630
Unrestricted	<u>(1,873,069)</u>
<b>Total Net Assets</b>	<u><u>\$ (1,763,439)</u></u>

The negative balance in unrestricted net assets primarily relates to \$1,826,151 due for compensated absences and other postemployment benefits payable. Though a significant portion of these liabilities was incurred when the Authority's employees were employed by other Louisiana Department of Health and Hospitals agencies, the entire liability was recognized by the Authority when these employees were transferred to the Authority on July 1, 2010.

**South Central Louisiana Human Services Authority  
Department of Health and Hospitals  
A Component Unit of the State of Louisiana  
Management's Discussion and Analysis  
June 30, 2011**

During the year, the Authority's net assets decreased by \$1,763,439. The elements of the decrease are as follows:

**The Authority's Condensed Statement of Activities as of June 30, 2011**

	<u>Government Activities</u>
<b>Revenues</b>	
Intergovernmental revenues	\$ 14,241,937
Program revenue	75,423
<b>Total Revenues</b>	<u>14,317,360</u>
<b>Expenses</b>	
Expenses	16,040,198
Depreciation	40,601
<b>Total Expenses</b>	<u>16,080,799</u>
<b>Change in Net Assets</b>	<u>\$ (1,763,439)</u>

As indicated above, expenses exceeded revenues by \$1,763,439. This is primarily due to the recognition of \$1,826,151 of compensated absences and other postemployment benefits related to employees transferred to the Authority from other Louisiana Department of Health and Hospitals agencies.

**Financial Analysis of Individual Funds (FFS)**

The General Fund includes revenue and expenditures necessary to the operation of the Authority such as personnel, benefits, and operation and maintenance of facilities. The General Fund reflected \$14,167,129 in total revenues, including \$14,091,706 of intergovernmental revenue. Total current expenditures were \$14,795,571. Expenditures exceeded revenues by \$628,442 for the year.

**Variations Between Original and Final Budgets and Actual Results**

The Authority's annual budget is adopted on a modified accrual basis of accounting excluding certain noncash items, such as accrued earnings of compensated absences, other postemployment benefits, and depreciation.

The original budget for the year ended June 30, 2011 was amended twice during the fiscal year. The first amendment relates to funding from British Petroleum as a result of the Deep Water Horizon Oil Spill. The money was to be used to mitigate and treat the adverse physiological and emotional impact. The second amendment reclassified budget categories for expenditures due to the Executive Order No. BJ 2010-20 for an expenditure reduction.



**South Central Louisiana Human Services Authority  
Department of Health and Hospitals  
A Component Unit of the State of Louisiana  
Management's Discussion and Analysis  
June 30, 2011**

**Variations Between Original and Final Budgets and Actual Results (Cont.)**

The Authority's actual revenues were less than the budgeted revenues by \$13,258,909, a variance of 48.3%. The Authority's actual expenditures were less than the budgeted expenditures by \$12,630,467, a variance of 46.0%. Prior to this fiscal year, the Authority was budgeted with other DHH agencies. The budget for the fiscal year ended June 30, 2011 was adopted based on its inclusion with other agencies. As a result, budgeted revenues and expenditures were greater than those eventually used by the Authority as a stand-alone entity. Budgets for periods subsequent to year ended June 30, 2011 are to be adopted solely based on the Authority's activities.

**Capital Assets**

Capital assets include computer equipment and vehicles recorded at historical cost of \$345,036. Accumulated depreciation as of June 30, 2011 is \$235,406 resulting in an ending book balance of \$109,630. On July 1, 2010, the Louisiana Department of Health and Hospitals transferred to the Authority capital assets with a total cost of \$345,036 and accumulated depreciation of \$194,805.

Depreciation expense of \$40,601 was recorded for the year. More detailed information about the capital assets is presented in the notes to the financial statements.

**Long-Term Obligations**

The Authority has not financed through external borrowing or incurring debt and thus does not have any outstanding bonds or notes for this year. Other obligations include compensated absences (accrued vacation and compensatory leave) earned and accumulated by employees and other postemployment benefits as described in the notes to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

On November 1<sup>st</sup> of each year, the Authority develops and submits a budget to the Division of Administration (DOA) for consideration in the State's Budget Request to the Louisiana Legislature. The budgets are developed in accordance with the guidelines set forth from the DOA Office of Planning and Budget. The requested year's budget are developed based on current appropriation levels considering the inclusion of State mandates such as inflation, merit increases, insurance increases, changes in means of financing, etc. Additionally, SCLHSA has the opportunity to request other increases due to expansion of existing services or new initiatives. The budget package is prepared and submitted to the Department of Health and Hospitals for review and comment prior to submission to the DOA.

**South Central Louisiana Human Services Authority  
Department of Health and Hospitals  
A Component Unit of the State of Louisiana  
Management's Discussion and Analysis  
June 30, 2011**

**Economic Factors and Next Year's Budgets and Rates (Cont.)**

Highlights of next year's budget include:

<b>Estimated revenue</b>	<b><u>\$ 25,241,033</u></b>
Other charges	\$ 21,373,577
Supplies	1,866,837
Operating services	1,537,589
Interagency transfers	285,237
Travel	102,793
Capital outlay (IT equipment)	<u>75,000</u>
<b>Total estimated expenses</b>	<b><u>\$ 25,241,033</u></b>

**Contacting Financial Management**

This financial report is designed to provide a general overview of the South Central Louisiana Human Services Authority's finances and to show accountability for the money it received. If you have questions about this report or need additional financial information, contact:

Ms. Lisa Schilling, Executive Director  
South Central Louisiana Human Services Authority  
6907 Alma Street  
Houma, LA 70364  
Phone number (985) 857-3673

**FINANCIAL STATEMENTS SECTION**

**South Central Louisiana Human Services Authority**  
**Department of Health and Hospitals**  
**A Component Unit of the State of Louisiana**  
**Statement of Net Assets**  
**June 30, 2011**

	<b>Government Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,222,055
Accounts receivable	65,394
Due from other governments	2,759,879
Inventories	515,968
Prepaid expenses	116,211
	<hr/>
Total Current Assets	4,679,507
	<hr/>
Capital assets, net of accumulated depreciation	109,630
	<hr/>
<b>Total Assets</b>	<b>\$ 4,789,137</b>
	<hr/>
<b>Liabilities</b>	
Accounts payable	\$ 377,964
Accrued payroll	568,991
Due to other governments	3,431,681
Other accrued liabilities	347,789
Current portion of compensated absences payable	562,521
Current portion of other postemployment benefits payable	19,003
	<hr/>
Total Current Liabilities	5,307,949
	<hr/>
Compensated absences payable	212,333
Other postemployment benefits payable	1,032,294
	<hr/>
Total Noncurrent Liabilities	1,244,627
	<hr/>
<b>Total Liabilities</b>	<b>\$ 6,552,576</b>
	<hr/>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 109,630
Unrestricted	(1,873,069)
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<b>Total Net Assets</b>	<b>\$ (1,763,439)</b>
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The accompanying notes are an integral part of this statement.

**South Central Louisiana Human Services Authority**  
**Department of Health and Hospitals**  
**A Component Unit of the State of Louisiana**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenue Charges for Goods and Services</u>	<u>Net (Expense) Revenue</u>
<b>Governmental activities:</b>	<u>\$16,080,799</u>	<u>\$ 75,423</u>	<u>\$ (16,005,376)</u>
<b>General Revenues</b>			
Interagency receipts			<u>14,241,937</u>
<b>Change in Net Assets</b>			<u>(1,763,439)</u>
<b>Net Assets:</b>			
Beginning of year			<u>-</u>
End of year			<u>\$ (1,763,439)</u>

The accompanying notes are an integral part of this statement.

**South Central Louisiana Human Services Authority**  
**Department of Health and Hospitals**  
**A Component Unit of the State of Louisiana**  
 Balance Sheet  
 Government Fund Type – General Fund  
 June 30, 2011

**Assets**

Cash and cash equivalents	\$ 1,222,055
Accounts receivable	65,394
Due from other governments	2,759,879
Inventories	515,968
Prepaid expenses	<u>116,211</u>

<b>Total Assets</b>	<b><u>\$ 4,679,507</u></b>
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**Liabilities**

Accounts payable	\$ 377,964
Accrued payroll	568,991
Due to other governments	3,431,681
Other accrued liabilities	347,789
Current portion of compensated absences payable	562,521
Current portion of other postemployment benefits payable	<u>19,003</u>

<b>Total Liabilities</b>	<b><u>5,307,949</u></b>
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**Fund Balance**

Nonspendable	
Inventories	515,968
Prepaid expenses	116,211
Unassigned	<u>(1,260,621)</u>

<b>Total Fund Balance</b>	<b><u>(628,442)</u></b>
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<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 4,679,507</u></b>
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The accompanying notes are an integral part of this statement.

**South Central Louisiana Human Services Authority**  
**Department of Health and Hospitals**  
**A Component Unit of the State of Louisiana**  
**Statement of Revenues, Expenses,**  
**and Changes in Fund Balance-**  
**Governmental Fund Type – General Fund**  
**For the Year Ended June 30, 2011**

**Revenues**

Intergovernmental revenues	\$ 14,091,706
Charges for goods and services	<u>75,423</u>
<b>Total Revenues</b>	<u><b>14,167,129</b></u>

**Expenses**

Intergovernmental expenses:	
Personal services	10,880,767
Supplies and acquisitions	1,187,253
Operating services	1,186,774
Professional expenses	1,040,746
Interagency expenses	303,801
Miscellaneous	133,131
Travel	41,960
Student labor	<u>21,139</u>
<b>Total Expenses</b>	<u><b>14,795,571</b></u>

<b>Change in Fund Balance</b>	(628,442)
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<b>Fund Balance - Beginning</b>	<u>-</u>
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<b>Fund Balance - Ending</b>	<u><u><b>\$ (628,442)</b></u></u>
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The accompanying notes are an integral part of this statement.

**South Central Louisiana Human Services Authority**  
**Department of Health and Hospitals**  
**A Component Unit of the State of Louisiana**  
Reconciliation of the Governmental Fund Balance Sheet  
to the Statement of Net Assets  
June 30, 2011

Total fund balance - total governmental funds	\$ (628,442)
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$345,036, net of accumulated depreciation of \$235,406, are not financial resources and, therefore, are not reported in the funds.	109,630
Long-term liabilities, including compensated absences payable of \$212,333 and other postemployment benefits payable of \$1,032,294, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,244,627)</u>
Net assets of governmental activities	<u>\$ (1,763,439)</u>

Reconciliation of the Statement of Governmental Fund Revenues,  
Expenses, and Changes in Fund Balance to the  
Statement of Activities  
For the Year Ended June 30, 2011

Change in fund balance - governmental fund	\$ (628,442)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental fund reports capital outlays as expenses whereas in the statement of activities, these costs are depreciated over their estimated useful lives.	
Depreciation expense	(40,601)
Net capital assets transferred in from DHH	<u>150,231</u>
	109,630
Governmental fund reports current portions of compensated absences and other postemployment benefits whereas in the Statement of Activities, the non-current portion of these are recognized.	<u>(1,244,627)</u>
Change in net assets of governmental activities	<u>\$ (1,763,439)</u>

See notes to the financial statements.



**South Central Louisiana Human Services Authority**  
**Department of Health and Hospitals**  
**A Component Unit of the State of Louisiana**  
Notes to Financial Statements  
As of and for the Year Ended June 30, 2011

**Introduction**

The South Central Louisiana Human Services Authority (the Authority) was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 28:872. South Central Louisiana Human Services Authority (a local governing entity of the Louisiana Department of Health and Hospitals) and its board shall direct the operation and management of community-based programs and services relative to mental health, developmental disabilities, and substance abuse services for the parishes of Assumption, Lafourche, St. Charles, St. John the Baptist, St. Mary, and Terrebonne.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

**Note 1 – Summary of Significant Accounting Policies**

**A. Reporting Entity**

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. Because the State of Louisiana can impose its will on the Authority, the South Central Louisiana Human Services Authority was determined to be a component unit of the State of Louisiana, the governing body of the state and the governmental body with financial accountability. The accompanying financial statements present information only on the transactions of the programs of the South Central Louisiana Human Services Authority as authorized by Louisiana statutes and administrative regulations and do not present information on the State of Louisiana, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

Annually, the State of Louisiana issues a comprehensive financial report, which includes the activity contained in the accompanying financial statements. The Louisiana Legislative Auditor audits the basic financial statements of the State of Louisiana.

**B. Method of Accounting**

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets and a statement of revenues, expenses and changes in net assets. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding

**South Central Louisiana Human Services Authority**  
**Department of Health and Hospitals**  
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Notes to Financial Statements  
As of and for the Year Ended June 30, 2011

**Note 1 – Summary of Significant Accounting Policies (Cont.)**

balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

**Restricted** – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted** – This component of net assets consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. It establishes fund balance classifications that comprise hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are defined as follows:

**Nonspendable** – This component of fund balance includes amounts that cannot be spent due to form, including inventories and prepaid amounts. Also included are amounts that must be maintained intact legally or contractually.

**Restricted** – This component of fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**Committed** – This component of fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Authority's highest level of decision-making authority. The Board of Directors must vote on commitments.

**Assigned** – This component of fund balance is intended to be used by the Authority for specific purposes but do not meet the criteria to be classified as restricted or committed. The Board of Directors can vote on applicable assigned amounts.

**Unassigned** – This component of fund balance is the residual classification for the Authority's general fund and includes all spendable amounts not contained in the other classifications.

**Stabilization Funds** – This component of fund balance covers such things as revenue shortfalls, emergencies, or other purposes. The authority to set aside resources often comes from a statute, ordinance, or constitution.

**South Central Louisiana Human Services Authority**  
**Department of Health and Hospitals**  
**A Component Unit of the State of Louisiana**  
**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2011**

**Note 1 – Summary of Significant Accounting Policies (Cont.)**

The basic financial statements of the Authority are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

**C. Fund Types**

The Authority reports the following fund types:

**Governmental Funds**

Governmental Funds are those through which the governmental functions of the South Central Louisiana Human Services Authority are financed. The acquisition, use, and balances of the Authority's expendable financial resources and the related liabilities are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

The following is the Governmental Fund of the Authority:

**General Fund** – The General Fund is the general operating fund of the Authority. It is used to account for all financial resources.

**D. Measurement Focus / Basis of Accounting**

**Fund Financial Statements (FFS)**

The amounts reflected in fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of operations.

The amounts reflected in the fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Authority considers all revenues available if they are collected within 45 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and other postemployment benefits which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

**South Central Louisiana Human Services Authority**  
**Department of Health and Hospitals**  
**A Component Unit of the State of Louisiana**  
**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2011**

**Note 1 – Summary of Significant Accounting Policies (Cont.)**

**Government-Wide Financial Statements (GWFS)**

The government-wide financial statements display information as a whole. These statements include all the financial activities. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed).

**E. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**F. Budgets**

The budgetary process is an annual appropriation valid for one year. The Authority is prohibited by statute from over-expending the categories established in the budget. Budget revisions are presented to and granted by the Joint Legislative Committee, a committee of the Louisiana Legislature. Interim emergency appropriations may be requested and granted by the Interim Emergency Board. Budgets are adopted on the modified basis consistent with generally accepted accounting principles. The budgetary information included in the financial statements includes the original appropriation plus subsequent amendments as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>
Original budget	\$ 25,243,375	\$ 25,243,375
Amendment #1	2,182,663	2,182,663
Amendment #2 (transfer of expenses)	<u>-</u>	<u>-</u>
Final approved budget	<u>\$ 27,426,038</u>	<u>\$ 27,426,038</u>

**G. Cash and Cash Equivalents**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and a certificate of deposit. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less.

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**Department of Health and Hospitals**  
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Notes to Financial Statements  
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**Note 1 – Summary of Significant Accounting Policies (Cont.)**

**H. Inventories**

Inventories consist of prescription drugs that are administered to patients when they are released from medical care facilities. South Central Louisiana Human Services Authority's inventories are valued using the first in, first out method. These are perpetual inventories and are expensed when used. Inventories are held at the pharmacy located in New Orleans, Louisiana.

**I. Capital Assets**

Capital assets, consisting of office furniture, equipment, and vehicles, are presented on the Statement of Net Assets. The Authority follows the Louisiana Property Assistance Agency (LPAA) policy for capitalizing and reporting capital assets. The LPAA's dollar threshold for capitalizing equipment is \$1,000. However, according to the Office of Statewide Reporting and Accounting Policy's instructions, only equipment valued at or over \$5,000 are capitalized and depreciated for financial statement purposes.

Depreciation of all capital assets is computed on the straight-line basis. Estimated useful lives of capital assets are five to ten years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

**J. Compensated Absences**

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned (K-time). Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employees' hourly rate of pay at termination or transfer.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the fund when leave is actually taken. The cost of leave privileges applicable to general government operations not requiring current resources is recorded in long-term obligations.

**South Central Louisiana Human Services Authority**  
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**Note 1 – Summary of Significant Accounting Policies (Cont.)**

**K. Other Postemployment Benefits**

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions*, requires governments to accrue postemployment benefits to the extent it is probable the employer will provide benefits conditioned on the employees' retirement. The Authority has recorded liabilities for postemployment health care benefits as of June 30, 2011.

The postemployment benefits liability related to amounts expected to be paid after one year from the Statement of Net Assets is recorded as a long-term obligation and allocated to expenses on a functional basis.

**L. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in the fund general ledgers, is not utilized by the Authority.

**Note 2 – Deposits and Investments**

Under state law, the Authority may deposit funds within a fiscal agent bank selected and designated by the Louisiana State Treasury, the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the Authority may invest in time certificates of deposit in any bank domiciled or having a branch office in the State of Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state chartered credit unions.

Bank Deposits – State law requires that deposits (cash and certificates of deposits) of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana, and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivisions.

The year end balances of deposits are as follows:

	<u>Bank Balances</u>	<u>Reported Amounts</u>
Cash with the State Treasury	\$ 1,130,986	\$ 1,130,986
Cash with banking institutions	85,011	85,011
Certificate of deposit	6,058	6,058
Totals	<u>\$ 1,222,055</u>	<u>\$ 1,222,055</u>

**South Central Louisiana Human Services Authority**  
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**As of and for the Year Ended June 30, 2011**

**Note 2 – Deposits and Investments (Cont.)**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's deposit policy conforms to state law. Under state law, the Authority's deposits must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the Authority or the pledging bank by a holding or custodial bank in the form of safekeeping receipts held by the State Treasury. As of June 30, 2011, \$880,986 of the Authority's bank balance of \$1,222,055 was exposed to credit risk. The total amount exposed to credit risk was from the State Treasury. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name.

As of June 30, 2011, cash was adequately collateralized in accordance with state law by securities held by an unaffiliated bank for the account of the Authority. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities subject to custodial credit risk. Even though the pledged securities are considered subject to custodial credit risk under the provisions of GASB Statement 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

**Note 3 – Due from Other Governments**

As of June 30, 2011, the due from other governments balance consists of the following:

<u>Type of Fund</u>	<u>Name of Government within Department of Health and Hospitals</u>	<u>Total</u>
General fund	Office of Behavioral Health	\$ 1,573,213
General fund	Office of Citizens with Developmental Disabilities	786,447
General fund	Office of Behavioral Health	280,294
General fund	Center for Medicaid and Medicare Services - Title XIX	56,396
General fund	Office of Secretary - Community Development Block Grant	38,707
General fund	Center for Medicaid and Medicare Services - Title XVIII	15,077
General fund	Federal Probation and Parole - Western and Eastern Districts	9,745
		<u>\$ 2,759,879</u>

**South Central Louisiana Human Services Authority**  
**Department of Health and Hospitals**  
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**As of and for the Year Ended June 30, 2011**

**Note 4 – Capital Assets**

A summary of changes in capital assets follows:

	July 1, 2010	Additions/ Transfers	Deletions	June 30, 2011
Computer equipment	\$ -	\$ 181,902	\$ -	\$ 181,902
Vehicles	-	163,134	-	163,134
Total capital assets	-	345,036	-	345,036
Less accumulated depreciation	-	(235,406)	-	(235,406)
Total capital assets, net	\$ -	\$ 109,630	\$ -	\$ 109,630

On July 1, 2010, the Louisiana Department of Health and Hospitals transferred to the Authority capital assets with a cost of \$345,036 and accumulated depreciation of \$194,805.

Depreciation expense of \$40,601 was recorded for the year ended June 30, 2011.

**Note 5 – Due to Other Governments**

As of June 30, 2011, the due to other governments balance consists of the following:

Type of Fund	Name of Government	Total
General fund	State Treasury - seed money	\$ 3,000,000
General fund	Office for Addictive Disorders	359,998
General fund	Department of Health and Hospitals - interagency transfer	71,683
		<u>\$ 3,431,681</u>

**Note 6 – Long-Term Liabilities**

The following is a summary of changes in long-term liabilities of the Authority for the year ended June 30, 2011:

	Compensated Absences	OPEB Payable
Payable as of July 1, 2010	\$ -	\$ -
Additions	1,382,453	1,070,300
Reductions	<u>(607,599)</u>	<u>(19,003)</u>
Payable as of June 30, 2011	774,854	1,051,297
Amounts due within one year	<u>(562,521)</u>	<u>(19,003)</u>
Long-term obligations	<u>\$ 212,333</u>	<u>\$ 1,032,294</u>



**South Central Louisiana Human Services Authority**  
**Department of Health and Hospitals**  
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**Notes to Financial Statements**  
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**Note 6 – Long-Term Liabilities (Cont.)**

The liability for accrued payable compensatory leave as of June 30, 2011 computed in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards*, Section 60.105, is estimated to be \$252. Compensatory leave payable is recorded in the accompanying financial statements as a portion of the compensated absences liability.

**Note 7 – Pension Plan**

Plan Description – Substantially all of the employees of South Central Louisiana Human Services Authority are members of the Louisiana State Employees' Retirement System (LASERS), a single-employer defined benefit pension plan. LASERS is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees. LASERS provides retirement, disability, and survivors' benefits to plan members and beneficiaries. Benefits granted by the retirement system are guaranteed by the State of Louisiana by provisions of the Louisiana Constitution of 1974.

All full-time employees are eligible to participate in LASERS. Normal benefits vest with ten years of service. Generally, at retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service except for members eligible to begin participation in the Defined Benefit Plan (DBP) on or after July 1, 2006. Final average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment.

Vested employees, eligible to begin participation in the DBP before July 1, 2006, are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, these vested employees have the option of reduced benefits at any age with 20 years of service. Those hired on or after July 1, 2006 have only a single age option. They cannot retire until age 60 with a minimum of ten years of service. LASERS also provides death and disability benefits and deferred benefit options, with qualifications and amounts defined by statute. Article 10, Section 29 of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions to the state legislature. LASERS issues a publicly available annual financial report that includes financial statements and required supplementary information for LASERS. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608.

Funding Policy – Employees are required by state statute to contribute 7.5% (8.0% for employees hired on or after July 1, 2006) of gross salary, and the Authority is required to contribute at an actuarially determined rate as required by R.S. 11:102. The Authority's contribution rate for the fiscal year ended June 30, 2011 was 22.0% of annual covered

**South Central Louisiana Human Services Authority**  
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**Notes to Financial Statements**  
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**Note 7 – Pension Plan (Cont.)**

payroll. The Authority's contributions to LASERS for the year ended June 30, 2011 of \$1,517,981 were equal to the required contributions for the year.

**Note 8 – Other Postemployment Benefits**

**Plan Description** – Employees of the Authority voluntarily participate in the State of Louisiana's health insurance plan. The Office of Group Benefits (OGB) provides medical and life insurance benefits to eligible retirees and their beneficiaries. Participants are eligible for retiree benefits if they meet the retirement eligibility as defined in the applicable retirement system and they must be covered by the active medical plan immediately before retirement. The postemployment benefits plan is a cost-sharing, multiple-employer defined benefit plan, but is classified as an agent multiple-employer plan for financial reporting purposes since the plan is not administered as a formal trust. R.S. 42:801-883 provides the authority to establish and amend benefit provisions of the plan. OGB does not issue a publicly available financial report; however, the entity is included in the Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's Website at [www.doa.la.gov/osrap](http://www.doa.la.gov/osrap).

**Funding Policy** – The plan is currently financed on a pay-as-you-go basis. The contribution requirements of plan members and the Authority are established and may be amended by R.S. 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. OGB offered two standard plans for both active and retired employees for fiscal year 2011: the Preferred Provider Organization (PPO) plan, and the Health Maintenance Organization (HMO) plan. For fiscal year 2010, the Exclusive Provider Organization (EPO) plan was offered for both active and retired employees. In addition, all plan members are offered the Medical Home HMO plan. Retired employees who have Medicare Part A and Part B coverage also have access to Medicare Advantage plans, which are offered on a calendar-year basis. During calendar years 2010 and 2011, there were three HMO plans and two private fee-for-service (PFFS) plans offered by four companies.

Employees with an OGB medical participation start date before January 1, 2002, pay approximately 25% of the cost of medical coverage (except single retirees under age 65 pay approximately 25% of the active employee cost). Employees with an OGB medical participation start date after December 31, 2001, pay a percentage of the total contribution based on the following schedule:

<u>Service</u>	<u>Retiree Share</u>	<u>State Share</u>
Under 10 years	81%	19%
10 - 14 years	62%	38%
15 - 19 years	44%	56%
20+ years	25%	75%

**South Central Louisiana Human Services Authority**  
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 Notes to Financial Statements  
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**Note 8 – Other Postemployment Benefits (Cont.)**

The total monthly premium rates in effect for the plan year 2010-11 are as follows:

	<u>PPO</u>	<u>HMO</u>	<u>Medical Home Health Plan</u>
<u>Active</u>			
Single	\$ 559	\$ 528	\$ 532
With Spouse	1,187	1,121	1,130
With Children	681	644	649
Family	1,251	1,182	1,192
<u>Retired No Medicare &amp; Re-employed Retirees</u>			
Single	\$ 1,039	\$ 985	\$ 990
With Spouse	1,835	1,739	1,748
With Children	1,158	1,097	1,102
Family	1,826	1,731	1,739
<u>*Retired with 1 Medicare</u>			
Single	\$ 338	\$ 326	\$ 322
With Spouse	1,249	1,191	1,189
With Children	585	561	557
Family	1,664	1,585	1,584
<u>*Retired with 2 Medicare</u>			
With Spouse	\$ 607	\$ 584	\$ 578
Family	752	723	716

\*All members who retire on or after July 1, 1997 must have Medicare Parts A and B to qualify for the reduced premium rates.

	<u>Medicare Advantage Plans - Calendar Year 2010</u>				
	<u>HMO</u>			<u>Private Fee-for- Service Plans</u>	
	<u>Humana</u>	<u>People's Health</u>	<u>Vantage</u>	<u>Humana</u>	<u>Secure Horizons</u>
<u>Retired, with 1 Medicare</u>					
Single	\$ 149	\$ 142	\$ 198	\$ 165	\$ 199
<u>Retired, with 2 Medicare</u>					
With Spouse	\$ 298	\$ 284	\$ 396	\$ 330	\$ 397

**South Central Louisiana Human Services Authority**  
**Department of Health and Hospitals**  
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**Notes to Financial Statements**  
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**Note 8 – Other Postemployment Benefits (Cont.)**

	Medicare Advantage Plans - Calendar Year 2011				
	HMO			Private Fee-for-Service Plans	
	Humana	People's Health	Vantage	Humana	Secure Horizons
<u>Retired, with 1 Medicare Single</u>	\$ 145	\$ 115	\$ 258	\$ 149	\$ 199
<u>Retired, with 2 Medicare With Spouse</u>	\$ 290	\$ 230	\$ 516	\$ 298	\$ 397

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life, and Employee Accidental Death and Dismemberment coverage, which is underwritten by the Prudential Insurance Company of America. The total premium is approximately \$1 per thousand dollars of coverage of which the employer pays one-half of the premiums. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death and dismemberment coverage ceasing at age 70 for retirees.

Annual Other Postemployment Benefit Cost and Liability – The Authority's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liability (UAAL).

The following schedule presents the components of the Authority's annual OPEB cost for the fiscal year ended June 30, 2011, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation to the OPEB plan:

ARC	\$ 1,070,300
Interest on net OPEB obligation	-
ARC adjustment	-
Annual OPEB cost	1,070,300
Contributions made	(19,003)
Increase in net OPEB obligation	1,051,297
Beginning net OPEB obligation at July 1, 2010	-
Ending net OPEB obligation at June 30, 2011	<u>\$ 1,051,297</u>

**South Central Louisiana Human Services Authority**  
**Department of Health and Hospitals**  
**A Component Unit of the State of Louisiana**  
**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2011**

**Note 8 – Other Postemployment Benefits (Cont.)**

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2011 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 1,070,300	1.8%	\$ 1,051,297

Funded Status and Funding Progress – Act 910 of the 2008 Regular Session established the Postemployment Benefits Trust Fund effective July 1, 2008; however, neither the Authority nor the State of Louisiana has ever made any contributions to it. Since no contributions were made, the Authority's entire actuarial accrued liability (AAL) of \$1,051,297 was unfunded for fiscal year 2011.

The funded status of the plan, as determined by an actuary, was as follows:

AAL	\$ 1,051,297
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,051,297</u>
Funded ratio	0%
Covered payroll (active plan members)	\$ 6,178,000
UAAL as a percentage of covered payroll	17%

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in AAL consistent with the long-term perspective of the calculations.

**South Central Louisiana Human Services Authority**  
**Department of Health and Hospitals**  
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**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2011**

**Note 8 – Other Postemployment Benefits (Cont.)**

In the July 1, 2010 OGB actuarial valuation, the projected unit credit actuarial cost method was used. For the July 1, 2010 valuation, the actuarial assumptions included a 4% investment rate of return and initial annual healthcare cost trend rate of 8% and 9.1% for pre-Medicare and Medicare eligible employees, respectively, scaling down to ultimate rates of 5% per year.

The RP 2000 Mortality Table was used in making actuarial assumptions. Retirement rate assumptions differ by employment group and date of plan participation. The state's unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of projected payroll on an open basis. Annual per capita medical claims costs were updated to reflect an additional year of actual experience. There were no other changes in assumptions.

**Note 9 – Operating Leases**

The Authority leases various health clinics, a pharmacy, and administrative offices from which it operates from unrelated third parties under agreements ranging from 12 months to 180 months. The Authority also leases two storage units on a monthly basis. Monthly lease payments for all agreements total \$82,431. Rent expense incurred under these leases was \$461,761 for the year ended June 30, 2011.

The future minimum rental payments required under these leases are as follows:

<u>June 30,</u>	
2012	\$ 567,058
2013	542,008
2014	473,575
2015	336,444
2016	290,319
Thereafter	<u>343,140</u>
Total	<u>\$ 2,552,544</u>

The Lafourche and River Parishes mental health clinics utilized by the Authority are owned by the Louisiana Department of Health and Hospitals (DHH). The DHH provides this office space to the Authority at no charge.

**Note 10 – Compensation of Board Members**

Board members were not compensated for the year ended June 30, 2011.

**South Central Louisiana Human Services Authority**  
**Department of Health and Hospitals**  
**A Component Unit of the State of Louisiana**  
**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2011**

**Note 11 – Risk Management**

Losses arising from judgments, claims, and similar contingencies are paid through the State's self-insurance fund operated by the Office of Risk Management, the agency responsible for the State's risk management program, or by General Fund appropriation.

In the normal course of operations, the Authority is subject to various risks. These risks are covered under the Louisiana Department of Health and Hospitals/Office of Risk Management. There is no pending litigation or claims against the Authority as of June 30, 2011, which if asserted, in the opinion of the Authority's legal advisors, would have at least a reasonable probability of an unfavorable outcome or for which resolution would materially affect the financial statements.

**Note 12 – Subsequent Events**

The Authority has entered into social service contracts totaling \$8,024,672 for the fiscal year ended June 30, 2012.

The Assumption Mental Health Center, an operational facility of the Authority, closed on October 7, 2011.

Subsequent events were evaluated through November 14, 2011, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**



**South Central Louisiana Human Services Authority**  
**Department of Health and Hospitals**  
**A Component Unit of the State of Louisiana**  
**Budgetary Comparison Schedule – General Fund**  
**Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Intergovernmental	\$ 25,243,375	\$ 27,426,038	\$ 14,091,706	\$ (13,334,332)
Charges for goods and services	-	-	75,423	75,423
Total Revenues	<u>25,243,375</u>	<u>27,426,038</u>	<u>14,167,129</u>	<u>(13,258,909)</u>
<b>EXPENSES</b>				
General government - current:				
Personnel services and benefits	10,214,277	10,214,277	10,880,767	(666,490)
General operating	15,029,098	17,211,761	3,914,804	13,296,957
Total current expenses	<u>25,243,375</u>	<u>27,426,038</u>	<u>14,795,571</u>	<u>12,630,467</u>
Capital outlay	-	-	-	-
Total Expenses	<u>25,243,375</u>	<u>27,426,038</u>	<u>14,795,571</u>	<u>12,630,467</u>
Excess (Deficiency) of revenues over expenses	<u>-</u>	<u>-</u>	<u>(628,442)</u>	<u>(628,442)</u>
<b>FUND BALANCES</b>				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (628,442)</u>	<u>\$ (628,442)</u>

See Independent Auditor's Report.

**South Central Louisiana Human Services Authority**  
**Department of Health and Hospitals**  
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**Schedule of Funding Progress**  
**Year Ended June 30, 2011**

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded AAL as a % of Covered Payroll</u>
07/01/10	\$ -	\$ 1,070,300	\$ 1,070,300	0.0%	\$ 6,178,000	17.3%

See Independent Auditor's Report.

**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**

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and  
Pellegrin**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
South Central Louisiana Human Services Authority  
Department of Health and Hospitals  
State of Louisiana

We have audited the financial statements of the South Central Louisiana Human Services Authority (the Authority), as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

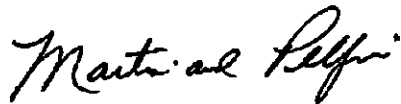
To the Board of Directors  
South Central Louisiana Human Services Authority  
Department of Health and Hospitals  
State of Louisiana

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of South Central Louisiana Human Services Authority in a separate letter dated November 14, 2011.

This report is intended solely for the information and use of management, the reporting entity, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



November 14, 2011

**South Central Louisiana Human Services Authority**  
**Department of Health and Hospitals**  
**A Component Unit of the State of Louisiana**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2011**

**Section I – Summary of Auditor's Results**

1. The auditor's report expresses a qualified opinion on the financial statements of the South Central Louisiana Human Services Authority.
2. No deficiencies in internal control were noted during the audit of the financial statements.
3. No instances of noncompliance required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. A management letter was issued.

**Section II – Financial Statement Findings**

No findings material to the financial statements of the South Central Louisiana Human Services Authority were disclosed during the audit.

**Section III – Internal Control Findings**

No findings related to the South Central Louisiana Human Services Authority's internal control, which would be required to be reported in accordance with *Government Auditing Standards*, were noted during the audit.

**Section IV – Findings and Questioned Costs – Major Federal Award Program Audit**

This section is not applicable.

**South Central Louisiana Human Services Authority  
Department of Health and Hospitals  
A Component Unit of the State of Louisiana  
Management's Corrective Action Plan for Current Year Findings  
For the Year Ended June 30, 2011**

**Section I – Internal Control and Compliance Material to the Financial Statements**

This section is not applicable.

**Section II – Internal Control and Compliance Material to Federal Awards**

This section is not applicable.

**Section III – Management Letter**

**Accounts Receivable**

Condition: Authority employees had difficulty in agreeing one June 30, 2011 accounts receivable subsidiary ledger to the general ledger balance.

Recommendation: We recommend that the Authority adopt a procedure whereby an individual is assigned the task of agreeing all accounts receivable subsidiary ledgers to the controlling general ledger accounts on a monthly basis.

Planned Action: The Authority will implement the recommendation as detailed above.

**Budget**

Condition: The Authority did not amend its budget upon a 5% unfavorable variance in revenues during the year in accordance with state budgetary law.

Recommendation: We recommend that the Authority continue to monitor its actual results versus budgeted amounts and amend its budget in accordance with state budgetary law.

Planned Action: The Authority will implement the recommendation as detailed above.

**South Central Louisiana Human Services Authority  
Department of Health and Hospitals  
A Component Unit of the State of Louisiana  
Schedule of Prior Findings and Responses  
For the Year Ended June 30, 2011**

Note: The year ended June 30, 2011 represents the Authority's initial independent audit. As such, there are no prior findings noted.

**Section I – Internal Control and Compliance Material to the Financial Statements**

This section is not applicable.

**Section II – Internal Control and Compliance Material to Federal Awards**

This section is not applicable.

**Section III – Management Letter**

This section is not applicable.



**South Central Louisiana Human  
Services Authority  
Department of Health and Hospitals  
A Component Unit of the  
State of Louisiana**

**Management Letter  
As of and for the  
Year Ended June 30, 2011**

**Martin  
and  
Pellegrin**

103 Ramey Road  
Houma, Louisiana 70360

*Certified Public Accountants  
(A Professional Corporation)*

Ph. (985) 851-3638  
Fax (985) 851-3951

November 14, 2011

To the Board of Directors  
South Central Louisiana Human Services Authority  
Department of Health and Hospitals  
State of Louisiana

In planning and performing our audit of the financial statements of the governmental activities of the South Central Louisiana Human Services Authority, a component unit of the State of Louisiana, for the year ended June 30, 2011, we considered its internal control and compliance with certain laws, regulations, contracts, and grants in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control and legal compliance.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and legal compliance. The details below summarize our comments and recommendations regarding those matters. This letter does not affect our report dated November 14, 2011 on the financial statements of the South Central Louisiana Human Services Authority.

Accounts Receivable

During the audit, we noted that Authority employees had difficulty in agreeing one June 30, 2011 accounts receivable subsidiary ledger to the general ledger balance. Effective internal controls include procedures to ensure that accounts receivable general ledger balances are continually in agreement with supporting documentation. We suggest that the Authority adopt a procedure whereby an individual is assigned the task of agreeing all accounts receivable subsidiary ledgers to the controlling general ledger accounts on a monthly basis.

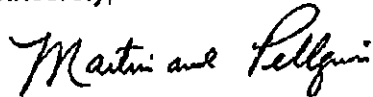
Budget

Louisiana Revised Statutes 39:1310 and 1311 require governmental entities to adopt a budget amendment if there is a 5% unfavorable variance in revenues or expenditures. Management did amend its budget twice during the year, but there was a 48.3% unfavorable variance in revenues. We recommend that the Authority continue to monitor its actual results versus budgeted amounts and amend its budget in accordance with state budgetary law.

To the Board of Directors  
South Central Louisiana Human Services Authority  
Department of Health and Hospitals  
State of Louisiana  
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We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with management, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

A handwritten signature in cursive script that reads "Martin and Pellegrin".

Martin & Pellegrin, CPAs (PC)